

SINGLE FAMILY EMPLOYER-ASSISTED HOUSING PROGRAM – “EAH”

Effective Date: 03-22-07

Replaces Issue of: 10-27-06

Product Name: EAH

SUMMARY:

This is a down payment assistance program for use by eligible purchasers who are employed by any Employer in the State of Michigan who has entered into an Agreement with MSHDA for participation in the **Employer Assisted Housing** DPA Program. The following criteria will apply:

- The **EAH** Program can only be combined with a MSHDA/Conventional 97% first mortgage.
- The down payment assistance is provided in the form of a MSHDA 2nd mortgage for an amount not to exceed \$5,000. The actual amount will be determined by completion of the **EAH** DPA Calculation Worksheet (Exhibit EA).
- The borrower's minimum cash investment will be 1% of the sales price.
- The Employer contribution will be either a Grant, Personal Loan, or 3rd Lien placed against the property being purchased, on forms prescribed by MSHDA (See Exhibit AA)
- In order to be eligible, the borrower must be a first time homebuyer purchasing a home in the designated area, and must not have more than \$10,000 in liquid cash assets.
- The income and sales price limits will be identical to those in effect for MSHDA's non-DPA loan programs. These limits are available at the MSHDA Web site: www.michigan.gov/mshda/
- If the borrower has had ownership interest in a primary residence in the last three (3) years, they are not eligible for the program unless they are purchasing in a targeted area (where there are no prior home ownership restrictions). A list of targeted areas is available at the MSHDA Web site: www.michigan.gov/mshda/
- The MSHDA 2nd mortgage is a 0% non-amortizing loan.
- The MSHDA 2nd mortgage is due on refinance, sale or transfer of the property.

**EFFECTIVE
DATE:**

June 15, 2004

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|---|---|
| LOAN PURPOSE: | To encourage home ownership in the State of Michigan near participating employers or in any area of Michigan designated by the employers. |
| MSHDA DPA TERMS: | The MSHDA 2nd mortgage for down payment assistance will be a 0%, non-amortizing loan, which will be due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor, or if the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt. |
| EMPLOYER DPA TERMS | The Employer contribution will be a Grant, Personal Loan, or 3rd Lien placed against the property being purchased, on forms prescribed by MSHDA (See Exhibit AA) |
| INTEREST RATE | The interest rate for the 1 st mortgage will be 1/8% less than the current MSHDA Single Family interest rate for 1 st mortgages on the Down Payment Assistance Program (SF-DPA). |
| ELIGIBLE EMPLOYERS | Employers located the State of Michigan that have entered into an Agreement with MSHDA for participation in the EAH Program. |
| ELIGIBLE BORROWERS: | Employees of the participating employers, who are first time homebuyers and qualify as eligible borrowers under the Single Family Loan Program criteria. |
| ELIGIBLE PROPERTIES: | New or existing 1-family home. New multiple section manufactured home on a permanent foundation OR existing multiple section manufactured home built on a permanent foundation that are in the designated area with a maximum LTV of 95%. NOTE: In order to be eligible, an existing manufactured home must be built after June 15, 1976. |
| ELIGIBLE LOAN PROGRAMS: | The down payment assistance program can only be combined with a MSHDA Conventional 97% first mortgage. |
| INCOME & SALES PRICE LIMITS: | Current income and sales price limits are available at: http://www.michigan.gov/mshda/0,1607,7-141-5485_5486-99920--,00.html |

OCCUPANCY

REQUIREMENTS: Borrower(s) must occupy the property within 60 days of closing.

ASSUMABILITY:

The MSHDA 2nd mortgage is not assumable. It is due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor, or if the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

LOAN TERM:

Payment in full of the MSHDA 2nd mortgage is required on the earlier of 30 years from date of first payment or the sale or transfer of the property, or if the mortgagor repays in full any mortgage loans encumbering the property that are senior to the **EAH** DPA lien.

PREPAYMENT**PROVISION:**

Prepayment of the principal amount outstanding in whole ONLY. No partial prepayment is permitted.

**MINIMUM LOAN
AMOUNT:**

No minimum loan amount.

**MAXIMUM LOAN
AMOUNT:**

The down payment assistance is provided in the form of a MSHDA 2nd mortgage loan for an amount not to exceed \$5,000. The actual amount will be determined by completion of the **EAH** DPA Calculation Worksheet (Exhibit EA).

**MINIMUM CASH
INVESTMENT:**

A minimum cash investment of 1% of the sales price is required from the borrower.

**MAXIMUM
CASH ASSET
LIMIT:**

The borrower(s) may not have more than \$10,000 in liquid cash assets.

**BUYING DOWN
LOAN RATIOS:**

If the calculations of the **EAH** DPA Calculation Worksheet (Exhibit EA) result in additional funds over and above the amount of the 3% down payment, closing costs and prepaids/escrows required, these additional funds can be utilized as additional down payment to buy down loan ratios.

**HOMEBUYER
EDUCATION:**

Completion of homebuyer education is required on or before loan commitment. A certificate of completion is required and must be signed by a certified counselor who is a member of the Michigan Homeownership Counseling Network.

**HOME
INSPECTION
FEES:**

A maximum of one (1) home inspection fee may be included in the down payment assistance funds provided it is listed on the HUD-1 as a cost to the buyer and either paid at time of closing or listed as a “POC” (paid outside of closing).

**COSTS
INCLUDED
IN DPA:**

The lender may include a maximum of 1% Loan Origination Fee in the amount of the down payment assistance. The lender may also include typical and customary third party closing costs paid by the buyer and permitted by the applicable loan program. In addition, prepaid/escrow expenses paid by the buyer may also be included as well as the minimum down payment required of the applicable loan program. No “junk” fees are permitted. NOTE: The borrower must have a minimum investment of 1% of the sales price.

**COSTS NOT
INCLUDED
IN DPA:**

None of the following items can be included in the amount of the down payment assistance funds: 1) property repairs, 2) delinquent credit obligations, 3) more than 2 months of private mortgage insurance premiums on a conventional loan and 4) “junk” fees.

**CASH BACK
AT CLOSING:**

No cash back at closing is permitted.

**CALCULATING
AMOUNT OF DPA:**

The **EAH** DPA Calculation Worksheet (Exhibit EA) will be utilized to calculate the amount of the MSHDA 2nd mortgage for down payment assistance.

**EMPLOYER
AGREEMENT:**

The Employer is required to enter into an Agreement with MSHDA for participation in the **EAH** DPA Program. Interested employers should contact the Homeownership Division at MSHDA for a copy of the Agreement.

**ADDITIONAL
LIENS:**

Provided the Employer elects to not lien the property being purchased, a HOME funded subordinate lien (3rd lien position) may be permitted to satisfy the HOME requirement in those situations where non-profits and communities provide HUD HOME funds to reduce the purchase price of acquisition, rehabilitation and in-fill projects. The subordinate lien must be disclosed at time of loan submission and fulfill the following conditions:

- 1) The maximum amount of the subordinate lien is \$1,000.
- 2) The term of the subordinate lien is five (5) years.
- 3) The subordinate lien cannot require principal or interest payments, except in the case of HOME non-compliance.
- 4) The loan must be in no less than a 3rd lien position.
- 5) Any fees associated with the HOME-funded loan, such as title commitment fees, cannot be charged to the MSHDA mortgage. Such fees must be billed separately to the borrower and/or paid from HOME funds.
- 6) No other mortgage or lien can be placed against the property other than the MSHDA first mortgage, the MSHDA DPA 2nd mortgage and/or the HOME funded \$1,000 loan. Any other reduction in the cost of the home must be in the form of a grant or a gift from a MSHDA approved non-profit housing corporation or local unit of government.

DOCUMENTATION REQUIREMENTS:

The most current version of all mortgage documents forms must be used.

MORTGAGE: Down Payment Assistance Mortgage
SFH 100C (7/03)

NOTE: Down Payment Assistance Mortgage Note
SFH 101D (7/03)

EAH DPA

**MSHDA/CONVENTIONAL 97% DOWN PAYMENT ASSISTANCE
CALCULATION WORKSHEET**

1. USE IF Cash Assets Including Gifts Do Not Exceed \$10,000:

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|-----------|---|---------------------------------------|
| A. | Sales Price: | \$ _____ (Pg. 3 of 1003 - VII. a.) |
| B. | Mortgage Amount | \$ _____ (1.A. Multiplied by 97%) |
| C. | Down Payment: | \$ _____ (1.A Minus 1.B) |
| D. | Closing Costs | \$ _____ (Pg. 3 of 1003 – VII. f.) |
| E. | Prepaid/Escrows | \$ _____ (Pg. 3 of 1003 – VII. e.) |
| F. | SubTotal: | \$ _____ (1.C + 1.D + 1.E) |
| G. | 1% of Sales Price | \$ _____ (1.A Multiplied by 1%) |
| H. | Employer Contribution | \$ _____ * |
| I. | Maximum Down Payment Assistance: | \$ _____ * (1.F - 1.G - 1.H) |

***NOTE: MSHDA DPA will be the GREATER of “H” or “I” with a cap of \$5,000**